



February 14, 2006

***Via Electronic Filing***

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12<sup>th</sup> Street, SW, Room TW-A325  
Washington, DC 20554

Attn: Scott A. Mackoul, Auctions and Spectrum Access Division, WTB  
Room 6-6519

***Re: Comments on AWS-1 Auction Procedures - AU Docket No. 06-30***

Dear Ms. Dortch:

Kennebec Telephone Co., Inc., hereby submits its comments on the Wireless Telecommunications Bureau's proposed reserve prices/minimum opening bids and other procedures for the upcoming auction of Advanced Wireless Services ("AWS") spectrum in the 1710 – 1755 MHz and 2110 – 2155 MHz ("AWS-1") bands, known as Auction No. 66. We are a rural telephone carrier in South Dakota. Our company has been in business since 1908, and we have a demonstrated commitment to the rural communities in our service area. We thank the Bureau for providing us the opportunity to submit these comments in response to its January 31, 2006, *Public Notice* (DA 06-238).

As a rural carrier, we are among the entities that Congress sought to help when it mandated in Section 309(j) of the Communications Act that the FCC promote economic opportunity and competition and disseminate licenses among a wide variety of applicants, including small businesses and rural telephone companies. We therefore believe that the Bureau must not allow the reserve prices/minimum opening bids or other procedures that it adopts for Auction No. 66 to become an artificial barrier to meaningful small business and rural telephone company participation in AWS. The Commission was on the right track when it revised its AWS-1 band plan last August and doubled the amount of spectrum available for MSA/RSA licensing "to meet the needs of rural carriers." The Bureau can further promote the Commission's policy goals by adopting the following auction procedures and design proposals:

### **Package Bidding Should Not Be Available**

We support the Bureau's proposal to use standard simultaneous multiple-round auction format for Auction No. 66. Package bidding should *not* be available for the A-Block licenses, since this would unduly complicate the bidding for 734 MSA/RSA licenses. More importantly, package bidding could deprive rural carriers of meaningful opportunities to participate in AWS. Large carriers would be able to place a package bid on large regions of A Block spectrum, effectively turning the A Block into another REAG. And if certain A Block licenses do not receive individual bids in the package bid area, the Commission may be forced to award the package bid even if a rural telephone company placed a higher per pop bid on the RSA encompassing its rural service area. This would effectively undo the Commission's good work in creating a viable bidding opportunity for small businesses and rural telephone companies through creation of the A Block, and would be inconsistent with the mandate of Section 309(j) of the Communications Act. We therefore strongly support the Bureau's initial conclusion that it would not be practical or desirable to offer package bidding in a single AWS-1 auction with 1,222 available licenses.

If the Commission concludes after reviewing the comments that it is desirable to allow package bidding on the larger licenses, then we support having a separate auction for the A Block, so long as the Commission combines the results of the two AWS auctions in determining if the aggregate reserve price is met. Otherwise, the Commission should have a single auction in which the A Block licenses are off limits to package bidders.

### **The Usual Bidder/Bid Information Should Be Available to Auction Participants**

In contrast to previous auctions, the Bureau has proposed for Auction No. 66 that it make public only the gross amount of high bids after each bidding round ("provisionally winning bids"), and that it not reveal information about (1) bidders' short-form license selections and the amount of their upfront payments; (2) the identity of non-provisionally winning bidders and the amounts of their bids; and (3) the identities of the provisionally winning bidders. We are uncomfortable with such a significant departure from procedures that worked fine in dozens of spectrum auctions up to now, and urge the Bureau to return to what has become standard practice. Any speculative benefit in "economic efficiency" that the Bureau hopes to gain from making less bidder information available will be vastly outweighed by bidder confusion and uncertainty with the new procedures. Small carriers will have greater confidence in the AWS auction and they will bid more confidently if they know who they are bidding against, and the bidding eligibility of the opposing bidders.

The Commission has already eliminated the danger of bid signaling through the use of "click box" bidding, in which the FCC determines the amount of each bid increment. Full disclosure of opposing bidder identities and markets of choice would also make it easier for bidders to comply with the anti-collusion rules, and would make

any special anti-collusion notices (referred to in footnote 30 of the Public Notice) unnecessary.

### **Reduce Minimum Opening Bids/Upfront Payments for RSA Licenses**

In recognition of the significant difference in valuation of rural and urban markets (and significant disparity in network buildout costs), the Bureau should lower its minimum opening bids and upfront payments substantially, and preferably to one cent per MHz-pop, for all A-Block RSA licenses. We believe this will encourage greater participation and more robust bidding for RSA licenses early in the auction, and result in a wide dissemination of AWS licenses among designated entities. The Commission should encourage as many bidders as possible to participate in Auction No. 66, because this will ensure that all of the available spectrum is licensed and that spectrum is valued fairly by the marketplace, rather than as a matter of administrative convenience.

Use of a single five cent per MHz/pop formula for calculating the minimum opening bids of all licenses does not reflect the reality (demonstrated by prior auctions) that a "rural pop" will not sell for the same price as an "urban pop". There must be a substantial discount factor applied to the RSA licenses, to allow bidders room to arrive at the correct market price for less populated areas. If bidding is started at the same per MHz/pop level for all licenses, some of the very sparsely populated RSAs may be over-valued at the minimum opening bid; or the bid increments in the ensuing round will pass over the actual value.

For the same reasons, the upfront payment for RSA licenses should be reduced to no more than one cent per MHz-pop. This will encourage wider participation in the auction by small businesses and rural telephone carriers.

We respectfully request that the Bureau amend its proposed reserve prices/minimum opening bids and other procedures for the AWS-1 auction in accordance with the foregoing comments.

Respectfully submitted,



Rod Bowar  
President  
Kennebec Telephone Company, Inc.